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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

3 December 1952

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1. The Central Intelligence Agency has most recently addressed itself to the broader aspects of the Indian situation in SE-32, Consequences of Communist Control Over South Asia, dated 3 October 1952, a paper which Mr. Bowles may not have seen when he wrote his letter of 28 October 1952 to the Secretary of State, but which is probably now in his possession.

2. SE-32 does not describe the consequences of Communist control over South Asia as "catastrophic to America", as does Mr. Bowles, but its conclusions are in general agreement with those which the Ambassador presents on the seriousness of such a development.

3. ~~The discussions which took place when SE-32 was coordinated did not cover~~ Probable political and economic developments in India ~~are not covered in SE-32~~ The most recent coordinated estimate which treats of this subject is NIE-23, India's Position in the East-West Conflict, dated 4 September 1951. NIE-23 concludes that continued deterioration of the Indian economic

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situation might in time enable the Indian Communists to seize control of the government and that, though India probably cannot by its own efforts and means stop its economic decline, substantial outside assistance over several years might check the decline. Ambassador Bowles apparently disagrees with the estimate that these developments are only possible or probable and would argue that they are almost certain.

4. It is recognized that NIE-23 can no longer be regarded as up-to-date. The Office of National Estimates has scheduled a new NIE on India's economic and political problems for February, 1953.

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SPECIAL ESTIMATE

CONSEQUENCES OF COMMUNIST CONTROL
OVER SOUTH ASIA



SE - 32

Published 3 October 1952

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff.

All members of the Intelligence Advisory Committee concurred in this estimate on 25 September 1952.

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CONSEQUENCES OF COMMUNIST CONTROL OVER SOUTH ASIA¹

THE PROBLEM

To estimate the strategic consequences, to the West and to the Soviet Bloc, of the establishment of Communist control over South Asia without either the Middle East or Southeast Asia having previously come under Communist control. Whether or not South Asia is likely to come under Communist control, or whether there is any likelihood that South Asia would fall under Communist control prior to extensive Communist victories in Southeast Asia, is excluded from consideration.

CONCLUSIONS

1. The most serious effects of the loss of South Asia to Communist control would be psychological and political. It would add to the Soviet Bloc five countries, two of them potentially powerful, and would extend Communist control to include nearly half the world's population. In the absence of decisive Western counteraction, Communist control over South Asia would be speedily followed by the loss of much of Southeast Asia. Loss of South Asia would greatly reduce the effectiveness of the UN to the West, and would greatly reduce confidence in the capacity of the free world to halt the expansion of Communism.

2. In present circumstances, denial of Western access to South Asia would necessitate serious readjustments in the foreign trade and exchange pattern of the UK and the other Commonwealth

countries and would increase the cost of European commercial communications with the Far East.

3. Communist control of South Asia would probably make the principal strategic materials of the area increasingly difficult to obtain under cold war conditions and certainly unavailable to the West in wartime. Of these mica, graphite, manganese, jute, and shellac are of particular strategic importance to the West.

4. Although denial of South Asian resources would not necessitate any significant reduction in defense and essential civilian consumption in the US, the overall effect, in terms of the magnitude of the readjustments required, would almost certainly be serious at any time up through 1954. US stockpiles would have to be drawn on pending the development of generally inferior and more expensive alternate sources and substitute materials. Moreover, the West would have to

¹For the purposes of this estimate, South Asia will be taken to include India, Pakistan, Afghanistan, Nepal, and Ceylon.

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accept some reductions in quantity and quality of output until these substantial adjustments had been made.

5. In the short run, Communist control of South Asia would provide few economic benefits to the rest of the Soviet Bloc. The strategic value of the commodities rendered available to the Bloc would be meager, except with respect to monazite and rubber.

6. Although the Communists would face serious difficulties, they would probably have considerable success in gradually mobilizing and exploiting the substantial economic resources of South Asia. However, the development of an industrial complex of the order of that existing in Japan and Manchuria at the start of World War II could be accomplished only over a long period of time.

7. The most important effects of Communist control of South Asia on Western military capabilities would be: (a) the elimination of any prospect of the eventual availability of South Asian forces and facilities; and (b) the diversion of Western strength required to meet the new strategic situation in the Indian Ocean area.

8. In addition to imposing these disadvantages upon the West, the Soviet Bloc would gain access to strategically located air and submarine bases and would gain control of the military potential of South Asia. The Soviet Bloc's development of this potential would probably be limited to the forces and facilities required to maintain internal security, to defend South Asia itself against Western attack, and to attack Western communications in the Indian Ocean area.

DISCUSSION

POLITICAL AND PSYCHOLOGICAL CONSEQUENCES

9. The establishment of Communist control over South Asia would be a major advance for the USSR in its efforts to communize the world. It would add five countries, two of them large and potentially powerful, and nearly a fifth of the world's population to the Soviet Bloc. With the acquisition of South Asia Communism would have gained control of nearly half of the world's population. In the absence of decisive Western counteraction, the Communist seizure of South Asia would precipitate the rapid transfer of much of Southeast Asia to Communist control, supposing this had not already occurred. The countries of the Near East, Japan, the Philippines, and Indonesia would be under great pressure to accommodate themselves to the neighboring Communist regimes.

10. India, Pakistan, and Ceylon are former colonial areas which have achieved independence and considerable prestige as free nations while maintaining beneficial political and economic ties with the West. As such they constitute a concrete refutation of the Communist thesis that the national aspirations of colonial and semi-colonial countries can be realized only through Communist "liberation." The fall of these countries to Communism would seriously impair the position of the West in relation to the national and social aspirations emergent in Asia and Africa, and would eliminate the example set by the efforts of the present regimes to curb Communist subversive activities.

11. The loss of the South Asian members of the UN (India, Pakistan, and Afghanistan) to the Soviet side would greatly reduce the effectiveness of the UN to the West either by enlarging the obstructionist bloc or, if the new

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regimes were not recognized, by weakening any UN claim to be a truly world organization.

12. A Communist victory in South Asia would greatly reduce confidence in the capacity of the free world to halt the expansion of Communism. The communization of South Asia coming on the heels of the Communist victory in China would create the impression throughout non-Communist Asia, Africa, and Europe that the advance of Communism was inevitable.

ECONOMIC CONSEQUENCES

Effect on the Economic Position of the West

13. In general, the economic consequences of Communist control over South Asia would depend on conditions in other areas at the time such control was attained. At the present time, Communist accession to power in the region would necessitate the diversion of Western resources to the Middle East and South-east Asia, as well as serious readjustments in the foreign trade and exchange pattern of the UK and the remainder of the Commonwealth. The British would lose their substantial investments in India, a loss which would, however, be in part balanced by the probable cancellation of the UK's obligation to repay the remainder of sterling balances earned by India during World War II. The UK, Australia, and New Zealand would, initially at least, be hard pressed to find substitutes in dollar markets for many goods now obtained from South Asia and similarly would have to develop new markets for goods now exported to India. The loss of South Asian bunkering and drydocking facilities and civil air transit rights would substantially increase the cost of British trade with the Far East, particularly with Australia and New Zealand. To what extent the Communists would in fact enforce the above restrictions, and whether the effects would be as serious at some future date as they would be at the moment, cannot be estimated.

14. It is possible, however, to estimate the consequences of the loss of Western access to the several strategic raw materials and the number of widely used though less critically im-

portant items of which South Asia is now a major source. The principal commodities involved are as follows:²

a. Manganese ore — India currently supplies about 25 percent of the non-Communist world's consumption of manganese ore, including about 35 percent of that used by the US. Since the Indian product is markedly superior in grade to that obtainable elsewhere, its importance is greater than these percentage figures would indicate.

b. Mica — India is virtually the sole supplier to the West of the more critical classes of block and sheet muscovite mica, which is used in manufacture of vacuum tubes and other communications equipment, boiler gauges, and oxygen breathing equipment.

c. Graphite — Ceylon is now the only significant non-Communist source of high grade amorphous lump graphite, which is used in manufacture of carbon brushes for electrical equipment.

d. Jute and jute products — India and Pakistan furnish virtually all the jute and jute products which enter world trade. Jute is the principal material used in bags and bale coverings for transport and storage of bulk commodities like grain, fertilizer, cement, and cotton.

e. Other products — India is the chief world supplier of premium quality kyanite, which is a high-grade refractory used in electric furnace linings, electrical and chemical porcelain, and spark plugs; furnishes about 75 percent of the world's supply of high-grade shellac; exports considerable quantities of castor beans and castor oil; and provides about a quarter of the world's supply of opium for medical purposes. India and Ceylon together produce close to 85 percent of the tea entering international trade and about two-thirds

²India also has unequalled reserves of monazite sands, from which thorium (of potential use for atomic energy) and rare earths can be obtained, and also is a source of beryl, of some strategic importance in beryllium copper. Although India has thus far prohibited the export of monazite, it has entered into negotiation for its sale to the US. India restricts the exportation of beryl and the US has been able to obtain only minor amounts.

of the black pepper. Ceylon is a relatively minor source of rubber for the non-Communist world. In addition, India is a potential source of coking coal and iron ore for Japan.

15. Communist control of South Asia would probably make these principal strategic materials listed above increasingly difficult to obtain under cold war conditions and certainly unavailable to the West in wartime. The Communists would probably initially be willing to continue supplying strategic materials like manganese, mica, and graphite to the West if the latter did not apply to South Asia the export controls now in force against Communist countries, since the loss of the petroleum products, machinery, and other controlled items which South Asia now obtains from the West in the course of trade would impose a considerable strain on the South Asian economy. In addition, the Communists would probably continue to export less critical items like tea, black pepper, and possibly jute in exchange for foodstuffs and other products not now subject to Western export controls. However, a gradual drying up of South Asia's trade with the West would almost certainly take place, because the West would seek to develop alternate sources of critical materials and the Communists in South Asia would attempt to move toward greater self-sufficiency.

16. Denial of South Asia's products to the West as a result of a Communist accession to power would require substantial readjustments on the part of the US and even greater readjustments on the part of its allies. The West would have to spend time and money in developing generally inferior alternate sources, would have to develop substitute materials in some cases, and would have to accept some reductions in quantity or quality of output until these adjustments had been made. Moreover, the US would be under greater pressure to give financial assistance to Western Europe to the extent that this area's already meager dollar resources would have to be used for the purchase of those substitute materials available only in dollar areas. Also, the economic attraction of the Soviet Bloc to Japan would be greatly increased, since Japan is

looking increasingly to South Asia for industrial raw materials.

17. The impact on the West of the denial of South Asia's strategic materials would depend on the extent to which stockpiling goals had been achieved and alternate sources expanded at the time that South Asia's resources were cut off. Although denial of these resources would not necessitate any significant reduction in defense and essential civilian consumption in the US, the over-all effect, in terms of the magnitude of the readjustments required, would almost certainly be serious at any time up through 1954. The present outlook with respect to the principal strategic commodities named above is as follows:

a. Manganese ore — The US could initially maintain its own steel production by drawing on its manganese stockpile. Significant reductions in the output of other Western countries, where little stockpiling of manganese has taken place, could also be averted if US reserves were made available in sufficiently large quantity. The US stockpile of metallurgical manganese, which was 45 percent complete at the end of 1951, is probably sufficient to cover US import requirements for about two and a half years. In the long run, adequate supplies of manganese could be obtained from other sources — notably Brazil, the Gold Coast, South Africa, Belgian Congo, and Angola — where some expansion of facilities to meet the increasing demand for manganese is already taking place. However, an increase in output sufficient to make up completely for the loss of Indian manganese would require several years in view of manpower and equipment shortages, transport and loading facility bottlenecks, and various other problems, and some curtailment of steel production might be required to prevent depletion of the stockpile before these other sources had come into full production. In any event, loss of the superior Indian ore would require adjustments in metallurgical practice entailing some loss in rate of production and higher costs.

b. Mica — Loss of the Indian supply of block and sheet mica would require drastic conservation measures in the US, where stockpiling is about 25 percent complete, and even

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more stringent curbs on consumption in the other Western countries, where stockpiles are virtually nonexistent. Present US stocks of these critical classes of mica represent about a year's supply. Development of new sources would be very costly and the efforts being made to develop substitutes cannot be expected to show usable results for several years.

c. *Graphite* — Since Ceylon is the only source of high-grade amorphous lump graphite, the US would have to draw on its stockpile, notably for such uses as carbon brushes in high-altitude aircraft, and would have to modify specifications for other end-items where inferior grades of graphite might possibly be used. At the end of 1951, the US stockpile was close to its goal, which was about three times the amount consumed annually by the US during the latter part of World War II.

d. *Jute and jute products* — The loss would be serious, involving far-reaching conservation measures and costly adjustments, especially for countries like those of Western Europe where substitutes are less readily available.

e. *Other products* — Development of synthetic substitutes for Indian kyanite is well under way, and the loss of the Indian product should cause no serious difficulties. Loss of Indian shellac would involve higher costs and widespread inconvenience since different substitutes would have to be developed for most of the various uses of shellac. Loss of Indian opium would inconvenience the UK, which has obtained most of its supply from the subcontinent. The loss of India would cut off a potential supply of coking coal and iron ore for Japan.

Effect on the Economic Position of the Soviet Bloc

18. In the short run, Communist control of South Asia would provide few economic benefits to the rest of the Soviet Bloc. The USSR would probably exploit India's thorium-bearing monazite for atomic energy development purposes, and the Bloc as a whole could probably use the limited amounts of rubber, cotton, and cotton textiles available for export, as well as moderate amounts of mica, graph-

ite, iron and manganese ores, beryl, and jute products. Transporting these products to the Soviet Bloc would present serious problems, however, and in any event the amount of goods that the Soviet Bloc could absorb would be relatively small, in terms both of South Asia's present exports and of total Soviet Bloc consumption. Moreover, the strategic value of these materials to the Bloc would be meager, except with respect to monazite and rubber.

19. Conversely, the Soviet Bloc probably could and would provide only limited assistance to a Communist South Asia struggling with the major internal readjustments arising from the transfer of economic and political power to a Communist regime and from the probable cutting-off of major Western imports. Just as South Asia's principal exports are commodities for which the Soviet Bloc has no great immediate need, so its principal present imports — notably petroleum products, machinery and other metal manufactures, industrial chemicals, and foodstuffs — are items which the Communist world cannot easily spare. The USSR's willingness and ability to make up for the loss of Western products would be sharply limited by competing demands within the Bloc and by the Bloc's grave shortage of shipping facilities.

20. Initially, the shortages of food and petroleum would be major problems to a Communist regime. South Asia now imports about four million tons of grain annually. This deficiency would probably be met by a variety of measures including some imports from the USSR, ruthless rationing and crop collection methods, and, if the Communists were sufficiently well entrenched to clash with religious sentiment, use for human consumption of approximately a million tons of grain now consumed by monkeys and cattle. Much of South Asia's food deficit could be provided by mainland Southeast Asia if that area were Communist. Loss of the six million tons of petroleum now imported from the Middle East would almost certainly cause an initial decline in industrial output and for some time create bottlenecks in production. However, the effects would probably not be crippling. Some

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petroleum could be obtained from the Soviet Bloc and much oil-burning equipment could be converted to coal. The denial of spare parts and other capital equipment, industrial chemicals, and miscellaneous metal products previously obtained from the West would impose further curbs on industrial output.

21. Despite these difficulties, the Communists would probably have considerable success in gradually mobilizing and exploiting the substantial resources of South Asia. Although the area is predominantly agricultural and characterized by widespread poverty, it has the largest industrial plant in Asia outside of Japan, a huge labor supply including a considerable number of skilled and semi-skilled workers, and basic raw material resources sufficient to support an extensive industrial expansion. During World War II, India demonstrated considerable potentiality for capital formation, and the Communists in other areas have shown their ability for effective mobilization of resources in predominantly agrarian areas characterized by low per capita productivity. Thus, production in certain key industries, particularly steel, would probably rise after the initial period of readjustment, and there would probably be a gradual improvement in agricultural output. However, the development of an industrial complex of the order of that existing in Japan and Manchuria at the start of World War II could be accomplished only over a long period of time.

22. In terms of support for a military effort, therefore, South Asia could probably, with only minimum Soviet Bloc assistance: (a) supply small arms and ammunition and some artillery for a large ground army; and (b) provide logistical support for whatever additional Soviet forces and equipment were necessary to defend South Asia against Western attack and to attack Western communications in the Indian Ocean area (see para. 29). A Communist South Asia could not, however, without substantial outside assistance and a long-term capital investment program, produce more than insignificant amounts of heavy artillery, tanks, armored vehicles, communications equipment, naval vessels, and aircraft.

MILITARY CONSEQUENCES

The Existing Situation

23. *Forces.* The nations of South Asia possess forces in being of approximately 650,000, some 1,500,000 trained reservists, and a vast reservoir of manpower. The armies of India and Pakistan, comprising more than 90 percent of the above active strength, are trained and disciplined forces of good fighting quality. Both countries have small air forces designed primarily for support of ground operations and a few light naval surface vessels.

24. *Facilities.* South Asia's other military assets include:

a. A large number of excellent airfields and air base sites (notably in West Pakistan) within medium and heavy bomber range of major industrial and governmental centers in Soviet Central Asia and the interior of Communist China. The rail and highway net and port facilities are adequate for maintenance of large-scale operations from these bases.

b. Major ports, air bases, and other facilities which could be used: (1) for maintenance of communications between Western Europe and the Far East and for logistical support of possible military operations in the Middle or Far East; or (2) for the support of air and naval action against these communications.

c. Limited facilities for production of arms and equipment. Although these facilities can supply significant amounts of small arms and ammunition, South Asia is dependent on outside sources for most other major items of material.

25. *Western Interests.* At present the military potential of South Asia is not available to the West, with certain exceptions such as British base rights in Ceylon. There is, however, an obvious Western interest in denial of this potential to Communism and in the possible future availability of some of these forces and facilities in certain contingencies. In particular, it is considered that, if relations between India and Pakistan can be improved, the military strength of Pakistan might become effective as a stabilizing factor in the Middle East and that Pakistani air bases

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might become available to the West in the event of war with the Soviet Bloc.

Effect on Western Military Capabilities

26. The most important consequences of Communist control of South Asia on Western military capabilities would be: (a) the denial of any prospect of the eventual availability of South Asia's forces and facilities; and (b) the diversion of Western strength required to meet the new strategic situation in the Indian Ocean area. Denial of access to South Asia's ports and airfields would, in itself, greatly hinder Western sea and air communications in that area. Even in time of peace, the fall of the subcontinent to Communism would require a diversion of Western military resources to the Middle East and to Southeast Asia to check the further expansion of Communism through subversion. In the event of war, the vulnerability of Western seaborne communications, particularly those with the Persian Gulf area, to attack from bases in South Asia would require a diversion of combat forces for their protection disproportionate to the diversion of Soviet strength to such operations.

Effect on Soviet Bloc Military Capabilities

27. The immediate military advantages which the Soviet Bloc would derive from Communist control of South Asia would be: (a) relief from the potential danger of Western air attack from Pakistani bases; (b) denial of the facilities and military potential of the subcontinent to the West; (c) diversion of Western military resources to the support of the Middle East and Southeast Asia; and (d) access to bases from which Soviet submarines, surface raiders, and aircraft could attack Western communications in the Indian Ocean area in the event of war.

28. The Soviet Bloc would also gain control of South Asia's military potential, but this control would not immediately constitute a net gain in Soviet Bloc military strength. South Asia's existing military establishments would probably have been demoralized and disrupted in the process of Communist accession to power; new Communist-controlled military

establishments would have to be created. In any case, any indigenous military forces would, for some time, be fully employed in maintaining internal security, or committed to the defense of South Asia in the event of war.

29. The extent to which the Soviet Bloc would eventually build up Communist military strength in South Asia would probably be limited by the following considerations:

a. A large-scale build-up of military forces and installations would require a heavy investment in technical and material assistance, either through direct supply of military end-items or through development of South Asia's now limited war industry. This investment could be made only at the expense of military and economic requirements elsewhere in the Bloc which are likely to remain pressing for many years to come.

b. Difficulties of access and control would make a Soviet investment in South Asian military power a risky one. Unlike Communist China, South Asia has no major land communications with the present Soviet Bloc and would therefore have to be supplied almost entirely by sea and air. In the event of war, the South Asian military establishment's supply lines would thus be gravely vulnerable to Western naval interdiction.

c. There would be slight strategic advantage in building up South Asia's military strength beyond that required for internal security, defense of the subcontinent itself, and harassment of Western communications in the Indian Ocean area. Barring a marked change in the global balance of naval power, any surplus military strength in South Asia could be used only against adjacent continental areas, the Middle East and Southeast Asia, and even there its employment would face extreme logistic difficulties, while Soviet and Chinese Communist forces are already available for such operations.

30. We believe that the Soviet Bloc would develop the military potential of South Asia only to the extent required to maintain internal security, to defend South Asia itself against Western attack, and to attack Western communications in the Indian Ocean area.

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